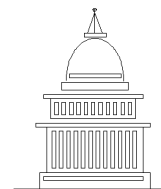




Local Governmental Auditing and Accounting

Newsletter

Published by the Office of the Utah State Auditor



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Please Help Us Save the Environment!!!

We would like to reduce the amount of paper we use to publish our Newsletter. If you would like to help us save paper and taxpayers' money, please let us know by sending an email to kgodfrey@utah.gov and we will send you our Newsletter electronically in the future.

Our Web Address: www.sao.utah.gov

January 2009

Impact Fee Reporting Requirements

During the 2006 General Session, the Utah Legislature modified Utah Code Sections 10-5-129, 10-6-150, 17-36-37, and 17B-1-639 to require governments to provide additional reporting in their financial statements when they collect impact fees. Within 180 days after the close of year-end, each county, municipality, and special district is required to prepare an annual financial report. The law says: "Each annual report shall identify impact fee funds by the year in which they were received, the project from which the funds were collected, the capital projects for which the funds are budgeted, and the projected schedule for expenditure." The required information must be presented as a schedule in the "supplementary information" section of the government's financial statements. This schedule requires no auditing or "in-relation-to" opinion.

At that time, the State Auditor's Office had discussions with officials from several local governments regarding how they account for impact fees and what the schedule for this new requirement should look like. It soon became clear that there was not going to be one format that would work well for all local governments. Therefore, the State Auditor's Office has not prescribed a format for this report.

All local governments are required, however, to provide a report of their impact fee activities in accordance with the sections cited above. The State Auditor's Office has been watching for those schedules in the financial reports of those entities collecting impact fees to see that they adequately disclose the information required by the new laws. Of course, we do not have detailed information about each government's impact fees and will be relying on the local governments to ensure that the information is properly disclosed. Our reviews have noted that most local governments are not disclosing all of the information required for impact fees. Also, the Legislative Auditors' Office has performed an analysis of impact fee accounting and reporting. They found that local governments are accounting for impact fees as required by state law but are not reporting properly.

There has been some question as to the definition of "the project from

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Impact Fee Reporting Requirements (continued)

(Continued from page 1)

which the funds were collected.” Some entities have interpreted this to mean that revenues should be identified by the capitol project for which they will be expended. However, it is clear from the context of the law that it is not referring to the capitol project for which the funds are to be spent. The intent of the law is to have revenues reported by the source of funds received, i.e., the subdivision, property, or development for which the impact fee was paid. Some entities are reporting an address and a business’ or developers’ name from which the funds were received.

The State Auditor’s Office still has not prescribed the format for the disclosures required for impact fees. However, we have developed an example of what the disclosure might look like. This is a composite of some of the disclosures we have seen in local governments’ financial reports. We have enclosed a copy of this sample format in this newsletter. Again, it is a sample format and is not prescribed. However, the disclosure must include all four parts of the information required by law.

This information is considered extremely important to legislators. Therefore, as with other disclosure requirements, audit reports will be considered substandard without the complete disclosure. All reports received with a June 30, 2008 year end and later will be reviewed in detail to ensure the disclosure is complete. We will inform you if it is not. Audit reports with a June 30, 2009 year end and later will be required to have the complete disclosure. If they are missing required details, we will ask the local government to restate their reports. If you receive a letter from us saying that improvements are needed in your disclosure, don’t fret – almost all local governments will

be receiving the same letter. However, 2009 reports will need to have all the information.

Independent auditors do not have any responsibility for this schedule except to “determine that a schedule identifying impact fee funds by year in which they were received, the project from which the funds were collected, the capital projects for which the funds are budgeted, and the projected schedule for expenditure has been properly included in the ‘supplementary information’ section of the government’s financial statements,” as required by the State Legal Compliance Audit Guide.

The required information must be presented as a schedule in the “supplementary information” section of the government’s financial statements. Although this schedule is required by State law, it should NOT be included as part of “Required Supplementary Information.” GASB is very specific about what is RSI and what is not. The impact fee reporting is supplementary information. Alternatively, the information may be included in the notes to the financial statements. In that case, the independent auditor would have the same responsibility for that information as for other notes to the financial statements.

Information about the schedule: The law requires that impact fees be identified by the year in which they are received and the projected schedule for expenditure. Therefore, there should be a disclosure of all impact fees on hand at the end of the year showing the year they were received. There should also be a disclosure of when those impact fees are planned to be expended. This is important because in most cases impact fees must be used within six years from the time they are collected.

**Sample Government Entity
Impact Fees on Hand
FY Ended June 30, 2008**

Projects From Which Funds Were Collected	Roads	Storm Drain	Parks	Year Received
Copper Hills PUD	\$40,000	\$35,000	\$10,000	FY06
Wheatfield Estates	9,900	8,000	6,000	FY06
Albertson's	58,000	45,000	15,000	FY06
8975 Highland Blvd.	2,000	1,800	800	FY06
Wal-Mart Stores	100,000	50,000	15,000	FY06
Total Collected for FY 2006	<u>\$209,900</u>	<u>\$139,800</u>	<u>\$46,800</u>	
Subway Restaurant	\$10,000	\$8,500	\$8,000	FY07
75400 S 1300 E	3,000	2,000	5,000	FY07
Legend Falls Condominiums	26,000	21,000	18,000	FY07
7005 Iron Blossom Way	4,500	4,000	3,000	FY07
Michael's	15,000	12,000	10,000	FY07
Iggy's Sports Grill	18,000	15,000	11,000	FY07
Total Collected for FY 2007	<u>\$76,500</u>	<u>\$62,500</u>	<u>\$55,000</u>	
4595 Peachtree Circle	\$5,000	\$4,000	\$3,000	FY08
Swan Meadows	15,000	10,000	76,000	FY08
Heatherwood	28,000	21,000	17,500	FY08
Chili's Restaurant	30,000	24,000	20,000	FY08
Menlove Investments Inc.	3,900	3,000	2,000	FY08
Daybreak Properties	120,000	108,000	68,500	FY08
Bangeter Mall	200,000	300,000	10,000	FY08
Total Collected for FY 2008	<u>\$401,900</u>	<u>\$470,000</u>	<u>\$197,000</u>	

**Sample Government Entity
Projected Expenditures of Impact Fees on Hand
FY Ended June 30, 2008**

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Roads						
7th East Prelim. Engineering	\$15,000	\$3,000				
7th East Road Widening		15,000	\$52,000			
Harris Point Road		108,000	100,000			
Legacy Drive Engineering				\$100,000	\$95,300	
3rd West					25,000	\$175,000
Storm Drain						
Jordon Park Drain	35,000					
River Front Parkway	128,000	18,000				
Brigham Trail			3,500			
Midas Creek Drain					187,800	300,000
Parks						
Founder's Park	50,000	17,000		65,000	11,800	
Harris Park Bowery			34,000	12,000		
Brigham Trail				65,000	34,000	10,000
Totals by Fiscal Year	<u>\$228,000</u>	<u>\$161,000</u>	<u>\$189,500</u>	<u>\$242,000</u>	<u>\$353,900</u>	<u>\$485,000</u>

2009 LOCAL GOVERNMENT ANNUAL REGIONAL TRAINING SESSIONS

DATE:**LOCATION:**

Monday

March 23, 2009

9 am – 1 pm

Logan

Bridgerland Applied Tech College

1301 N. 600 W.

Room 171E (Enter So. Doors)

The Local Government Division of the Utah State Auditor's Office sponsors annual training every Spring for local government officials and the independent auditors of local governments. Below is a description of the seminars. We invite everyone to attend.

Wednesday

March 25, 2009

9 am – 1 pm

South Ogden

So. Ogden Municipal Center

3950 Adams – Parking in Rear

Council Room

The Regional Training Seminars will be held at eight locations spread throughout the State. The seminars are intended for municipalities, counties, special districts, school districts and private non-profits working with governments. We invite mayors, council members, clerks, recorders, treasurers, board members, commissioners, county auditors, school business officials and independent auditors who work with local governments to attend. This year, as in the past, we will be discussing current financial issues that affect budgeting and accounting officials from local governments. We will discuss the requirements of new governmental accounting standards. We will also have an update on the effects of the 2009 legislative session on local governmental entities, a presentation on current issues from the Utah State Tax Commission, and information on other critical issues. We will also hold a budget training session for new budget officers.

Monday

March 30, 2009

9 am – 1 pm

Council Chambers

Orem

56 North State St.

City Offices – Room 102

Wednesday

April 1, 2009

9 am – 1 pm

Salt Lake City

State Office Building

Auditorium, 1st Floor

Monday

April 13, 2009

1 pm - 5 pm

Richfield

250 North Main

Auditorium

Monday

April 20, 2009

1 pm – 5 pm

St. George

175 East 200 North

Council Chambers

At left is a list of times and locations. The seminar will last 3 hours. For those who choose to attend the hands-on budget training, it will take another 45 minutes or until you have your questions answered. We hope to see you there!

Wednesday

April 22, 2009

1 pm – 5 pm

Vernal

147 East Main St.

South Conference Room

Monday

April 27, 2009

9 am – 1 pm

Price

185 East Main

1st Floor -Room 106

ANNOUNCEMENT FOR ALL CPAs

The State Auditor's Office announces its annual training for auditors of local governments. It will be held:

Thursday May 14, 2009

12:00 noon to 4:00 pm

Larry Miller Campus of

Salt Lake Community College



Please note that this will be held the day before the UACPA Governmental Update on May 15, 2009, and will offer an additional 4 hours of CPE.

See You There!

By the way...

We have received several annual financial reports from local governments by e-mail or by CD. We appreciate receiving electronic copies of these reports because they look better on our website than scanned copies. Sometime in the future we will be able accept electronic copies as the preferred way to receive financial information. However, for now, we still need hard copies of financial reports for our public files. When you send the hard copies, please be sure to include the financial report, the Single Audit, the management letter and your responses to the findings. Thanks for remembering to include us in your distribution list.

You may have noticed...

This newsletter is pretty much a one-topic newsletter. We felt it was so important to get the word out about the impact fee reporting requirements that we wanted to dedicate as much space as possible to that issue. There has been much confusion about some of the requirements. We wanted to clarify and resolve some of the concerns and misunderstandings so that local governments can provide the information required by law. If you have any questions about the impact fee requirements and how they should be applied, please call one of the people listed on the front page and we will help you. Thanks!

See inside for details of our
Annual Regional Training Seminars
coming to a city near you,
and our
Annual Governmental Auditing Update
for all CPAs auditing
local governments in Utah

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